EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI				
6	DDA		X		
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/OLL				
14	D/PAO				
15	VC/NIC				
16	D/Pers		X		
17	ER				
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SUSPENSE ________________
Date

Remarks

Executive Secretary

7 Aug 85
Date

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Approved For Release 2009/09/14 : CIA-RDP87M00539R002303810006-6

Executive Registry
85- 2922/2

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 8/6/85 **Number:** ----------- **Due By:**

Subject: Minutes: Domestic Policy Council -- July 24, 1985 Meeting

	Action	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☑
State	☐	☐
Treasury	☐	☐
Defense	☐	☐
Justice	☐	☑
Interior	☐	☑
Agriculture	☐	☐
Commerce	☐	☐
Labor	☐	☐
HHS	☐	☑
HUD	☐	☑
Transportation	☐	☑
Energy	☐	☑
Chief of Staff	☐	☑
Education	☐	☑
OMB	☐	☑
CIA	☐	☑
UN	☐	☐
USTR	☐	☐
GSA	☐	☑
EPA	☐	☐
NASA	☐	☐
OPM	☐	☑
VA	☐	☐
SBA	☐	☐

	Action	FYI
CEA	☐	☑
CEQ	☐	☐
OSTP	☐	☐
McFarlane	☐	☐
Svahn	☐	☑
Chew *(For WH Staffing)*	☑	☐
Hicks	☐	☑
Executive Secretary for:		
DPC	☐	☑
EPC	☐	☑

REMARKS:

Attached for your information are the minutes of the July 24 meeting of the Domestic Policy Council.

RETURN TO:

☑ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky

Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OEOB)

DCI EXEC REG

L-3028

MINUTES

DOMESTIC POLICY COUNCIL

July 24, 1985
2:00 p.m.
Roosevelt Room

Participants: Messrs. Meese, Herrington, Casey, Sprinkel, Bauer, C. Baker, Verstandig, Wright, Friedersdorf, Svahn, Kingon, Bledsoe, Ms. Dunlop, Ms. Cornelius, Messrs. Golden, Clarey, Smith, Morrison, Kowalczyk.

Flat Rate Per Diem

Attorney General Meese began the meeting by reviewing the two issues to be discussed. He introduced Mr. Golden, who presented a status report on the Government's per diem reimbursement program. Mr. Golden said that the current system provides a ceiling of $75 for actual costs of meals and lodging in "high cost" cities. For other cities, a $50 ceiling exists with actual costs for lodging and a flat rate of $23 for meals. These ceilings are set by law. The issues are: administrative costs are too high, Federal employees are not reimbursed fairly, and Congressional approval is required for any rate changes.

Mr. Golden reviewed charts showing standard rates, estimated fair per diem rates, and GSA contract rates in some high cost cities. Mr. Meese asked how the fair per diem rate was estimated. Mr. Golden replied that it was based on an amount which GSA felt they could negotiate. Mr. Wright mentioned that agencies are now taking advantage of negotiated block rates for lodging in some cities. Discussion ensued over employee reimbursement practices used in these instances. Mr. Golden and Mr. Wright cited subsistence costs associated with civilian travel, indicating these to be in the $3 billion range.

Three tentative conclusions were reached by GSA. The first is that we should eliminate statutory ceilings, and permit ceilings which could be adjusted based on an annual survey. The second is that we should provide actual lodging plus a flat rate for food for different classes of cities. The third is that we should vigorously pursue a discount program with the hotel industry. Mr. Sprinkel asked why GSA objected to a flat rate per diem. Mr. Golden felt this could stimulate unnecessary travel. Mr. Sprinkel stated that management should ensure that this does not occur.

Mr. Baker asked which would produce the lowest long-term rate, to which Mr. Golden replied that the lodging plus flat rate would. Several other questions were asked about negotiating with hotels and the desired effect of this. Mr. Golden indicated that a goal

is to eliminate statutory ceilings, and the unneeded involvement of Congress in this Executive branch responsibility. Mr. Wright indicated that OMB supports a change, but a major problem is that we do not have a good system to provide management information. Regardless, he felt we should more adequately pay employees who must travel, but freeze or cut the travel budget. Mr. Meese agreed.

Action: The Council directed GSA to add two conclusions: that Federal travel costs should be frozen, and that Federal managers should make every effort to eliminate unnecessary trips.

Federal Employees Retirement System

Mr. Meese began discussion of this topic by describing the transitory period for some Federal employees. He mentioned that the retirement system covering people hired since December, 1983, and certain others will expire at the end of 1985. He stated that Senators Stevens and Roth have prepared a bill that has been discussed with White House and OMB staff members. The Council was asked to examine the proposed legislation, and to raise any problems at a future Council meeting. Mr. Wright gave an overview of the three-tiered program called for in the proposed legislation. Mr. Smith of OMB reviewed the current Civil Service Retirement System (CSRS) as a means for comparison. He cited the total cost of the CSRS as being 35 percent of payroll, 7 percent of which is paid by employees and the remaining 28 percent paid by the government. Mr. Wright indicated that the current amount budgeted for CSRS retirement is about $22 billion per year. The Roth/Stevens plan is projecting a cost of 20 - 21 percent of payroll. In addition, it permits capital accumulation on a contributions-defined basis. The government will pay for employee life insurance under this proposal.

Mr. Sprinkel asked who would administer the thrift plan. Mr. Wright indicated that the current draft bill would call for creation of an off-budget Federal agency. Mr. Sprinkel felt this should be contracted out rather than create a new agency. Mr. Wright mentioned that the only two areas in which the Administration currently has concerns are the 401K tax deferral, and the COLA system. When the legislation is introduced, OMB will seek Administration comments on these and other aspects of the bill. Mr. Baker offered assistance by Social Security Administration (SSA) personnel to analyze and compare the features of the bill with the current Social Security programs. Mr. Meese indicated that Council members should coordinate their suggestions with Mr. Wright and OMB. Mr. Casey asked about the timetable. Mr. Wright stated that August will be the period in which we must coordinate our portion.

Mr. Meese cited some concern over the proposals for handling retirement of law enforcement personnel. Discussion ensued over comparisons with State and local law enforcement retirement programs, and over the various types of law enforcement

personnel. Mr. Meese agreed that a more precise definition of law enforcement personnel would be needed. Some discussion occurred about speculation as to whether current CSRS enrollees would convert to the new system, since the proposed system would permit (but not require) this. Mr. Wright cited the investment opportunities of the new program, but suggested this would not be a major reason for suggesting changes.

Mr. Friedersdorf indicated that the House may try to liberalize the Roth/Stevens plan, by proposing changes to the salary computation base from an average of the highest 5 years to an average of highest 3 years, and by lowering the age 65 retirement to keep it at age 55. He agreed with Mr. Wright that it looks to be a good bet for passage, and there appears to be general optimism in Congress about the bill.

Action: Mr. Meese directed Mr. Wright to look into possible changes in the bill, e.g., several law enforcement personnel retirement features, and having the program administered by the private sector. This is in addition to changes to the 401K and COLA features already questioned by the Administration. Mr. Meese advised Council members to coordinate their comments with OMB. When the final bill is introduced, the issue will be proposed for discussion at a meeting with the full Cabinet, since all are impacted by this issue.

Working Groups

Mr. Meese announced the formation of five working groups. He authorized the continuation of the Federalism Working Group chaired by Mr. Horowitz of OMB, and the Health Policy Working Group chaired by Mr. Roper of OPD. Working groups would also be established on Tort Compensation Policy; Energy, Environment, and Natural Resources; and the 1985 State of the Union Message.

Executive Registry
85- 2922/1

24 July 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence
Executive Director
Deputy Director for Administration
Director of Personnel

FROM: Director of Central Intelligence

SUBJECT: Domestic Policy Council Meeting on Federal Employee Retirement System, 24 July 1985

1. I attended the Domestic Policy Council meeting on the federal employee retirement system today which was chaired by Ed Meese. The purpose was to apprise the members of the bill which Senator Stevens intends to introduce on this subject. The bill exempts CIARDS.

2. Not wanting to make too much of a thing about our special treatment at the meeting, I merely said that we had some other employees whose early retirement was critical. Joe Wright quickly said they understood that and there seemed to be agreement on how that should be handled. The Attorney General understands the situation.

3. Prior to the meeting, Al Keel called to say that OMB had been talking to Bob and was agreeable to a three-tiered approach:

a. CIARDS employees exempt so that their retirement stays as is.

b. Analysts, technicians, computer experts and employees in other hard to fill categories would be able to retire at 55 with full benefits.

c. Other employees would have benefits under Civil Service.

All would be administered by CIA.

4. This has to be followed and watched carefully to see that the categories are defined so that as many employees as possible retain full benefits at the specified age.

William J. Casey

SECRET

DCI EXEC REG

L-300B

Executive Registry

85- 2922/1

24 July 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence
Executive Director
Deputy Director for Administration
Director of Personnel

FROM: Director of Central Intelligence

SUBJECT: Domestic Policy Council Meeting on Federal Employee Retirement System, 24 July 1985

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William J. Casey

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1 ER File w/o Briefing Book)

DCI EXEC REG

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L-300A

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Executive Registry

85-2922

THE WHITE HOUSE

WASHINGTON

July 23, 1985

MEMORANDUM FOR THE DOMESTIC POLICY COUNCIL

FROM: RALPH BLEDSOE Ralph Bledsoe
Executive Secretary

SUBJECT: Domestic Policy Council Meeting on July 24

Attached are an agenda and papers for the Domestic Policy Council meeting scheduled for Wednesday, July 24, 1985 at 2:00 p.m. in the Roosevelt Room. Two agenda items will be covered, along with a discussion of Council working groups.

The first agenda item will include a review of Flat-Rate Per Diem proposals. Members of Congress have discussed introduction of legislation mandating new travel policies, including increases in per diem rates. GSA and OMB have views on Administration actions that should be considered, consistent with executive branch responsibilities. Terry Golden, GSA Administrator, will present this issue to the Council. No papers are provided in advance, but information will be handed out at the meeting.

The second agenda item will include discussion of the new Federal Employees Retirement System, which is to be in place by January 1, 1986. This system will cover Federal employees hired since January 1, 1984 and numerous elected and appointed officials. Senators Roth and Stevens have been preparing a bill, and wish the Administration's views on certain features to be included in their bill. Joe Wright will describe the proposals and status of this issue. An OMB paper is included for your review prior to the meeting.

In addition to the above, the Chairman Pro Tempore will discuss the Domestic Policy Council's working groups.

Attachments

L-300B

THE WHITE HOUSE

WASHINGTON

DOMESTIC POLICY COUNCIL

Wednesday, July 24, 1985

2:00 p.m.

Roosevelt Room

AGENDA

1. Flat Rate Per Diem

2. Federal Employees Retirement System

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON D.C. 20503

July 22, 1985

MEMORANDUM FOR THE DOMESTIC POLICY COUNCIL

SUBJECT: New Retirement System for Federal Employees Covered by Social Security

Introduction

Senators Roth and Stevens are co-sponsoring legislation to create a new retirement system for Federal employees covered by Social Security. The Office of Personnel Management and the Office of Management and Budget support the overall Roth/Stevens design for the new system. The Chief of Staff has been apprised by the Senators of the likely contents of their bill and has indicated general support of their approach, with the caveat that a cost-of-living adjustment giving 100 percent of the increase in the Consumer Price Index would be unacceptable.

Background

When Congress extended Social Security coverage to Federal employees hired after December 31, 1983, it created the need for a new retirement system to supplement Social Security benefits. (The Civil Service Retirement System, which covers Federal workers generally, was designed to apply to people without Social Security coverage, so it is inappropriate and too expensive to use it for the new group.)

Congress recognized the need for a new retirement system, but was not prepared to create one at the time Social Security coverage was extended. With Administration support, Congress set up a two-year transition arrangement for new employees: they pay 1.3 percent of salary to CSRS (instead of 7 percent) plus the Social Security tax and are eligible for CSRS benefits offset by Social Security benefits.

This arrangement expires December 31, 1985. If a new system is not in place and legislation is not enacted to extend the transition scheme, post-1983 employees will have to pay the full 7 percent to CSRS and approximately 7 percent to Social Security.

Action to Date

- The President's 1986 Budget indicated that the Administration would seek a new retirement system costing about 20 percent of payroll, including the employer's Social Security tax, and using a defined contribution approach for at least part of

the benefits. (A defined contribution plan specifies how much the employer will put aside towards an employee's retirement; the actual benefits are determined at the time of retirement based on the amount, including contributions and earnings, to the employee's credit.)

o In March, OPM submitted a legislative proposal to OMB to establish a new retirement system. It was circulated to the agencies for comment. The agencies expressed serious reservations about the OPM proposals because they were concerned that a purely defined contribution approach shifted too much risk to employees and contained no incentives for employees to continue Government employment in order to maximize their retirement benefits. After reviewing the agency comments, OPM decided to rethink its proposal and has chosen not to redesign or resubmit it primarily because of agreement with OMB on positive developments in the Roth/Stevens efforts to fashion an acceptable plan at a reasonable cost.

<u>Roth/Stevens Plan</u>

Senators Roth and Stevens have been working together over the last several months to prepare a bill for a new retirement system, with potential Democratic support fading in and out of the picture. They are pressing hard to introduce the bill before the August recess. The details of the Roth/Stevens plan are not yet settled but the outline of the plan has been set. It follows closely the practices of the private sector in providing for employee retirement and consists of three tiers:

1. Social Security provides the basic protection against death, disability, and retirement.

2. A defined benefit plan provides the second source of retirement income, with a disability insurance plan as well.

   o Benefits would be calculated based on length of service and high-five-year average salary (the current CSRS also uses this defined benefit approach but is based on a high-three salary).

   o Limited protection against inflation would be provided by increasing benefits automatically for a portion of any increase in the Consumer Price Index (CPI). A cost-of-living adjustment between 50 and 75 percent of the CPI is being discussed.

3. A Thrift Plan provides employees an opportunity to save current income to increase their own retirement benefits.

   o Employee contributions to the Thrift Plan would be tax deferred, i.e., income tax would be collected when the money is withdrawn from the plan rather than when the employee earns the money.

- o The Government would match employee contributions to the plan (at a rate between 50 cents and $1.00 from the Government for each employee dollar).

- o Employees would be able to choose among several investment funds--e.g., a Government Securities fund, a fixed income fund, a stockmarket fund.

- o A new off-budget agency would be created to administer the Thrift Plan.

The cost of the Roth/Stevens plan is within the range contemplated by the Budget. Depending on the Senators' final decisions, the cost will be between 19 and 22 percent of payroll. This compares to the cost to the Government of the current CSRS, using OPM economic assumptions of 28 percent of payroll.

Generally, benefits under the Roth/Stevens plan would be better than benefits under CSRS for employees who leave before retirement age and for employees who work to age 62. Benefits would not be as liberal as at present for those who retire at the early age of 55.

Law enforcement officers, firefighters, and air traffic controllers would continue to be eligible for early retirement, though at age 55 rather than 50, with unreduced benefits. The Foreign Service Retirement System and the CIA Retirement and Disability System would not be affected by the Roth/Stevens bill.

Employees covered by CSRS would be permitted to elect to enter the new system, in which case the benefits they have earned under CSRS would be preserved and subsequent benefits would be earned under the new system.

Next Steps

The Roth/Stevens proposal has general Administration support (with the caveat that full COLA is unacceptable). When the bill is introduced, it will be circulated to agencies for comment and the Administration will seek to resolve any particular problems that are found.